



# SunCoke Energy, Inc. Q2 2015 Earnings, M&A Announcement Conference Call

July 21, 2015



SunCoke Energy™

# Forward-Looking Statements



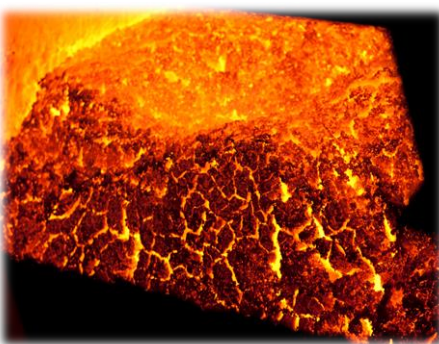
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Some of the information included in this presentation constitutes “forward-looking statements” as defined in Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. All statements in this presentation that express opinions, expectations, beliefs, plans, objectives, assumptions or projections with respect to anticipated future performance of SXC or SunCoke Energy Partners, L.P. (SXCP), in contrast with statements of historical facts, are forward-looking statements. Such forward-looking statements are based on management’s beliefs and assumptions and on information currently available. Forward-looking statements include information concerning possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, the effects of competition and the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and may be identified by the use of forward-looking terminology such as the words “believe,” “expect,” “plan,” “intend,” “anticipate,” “estimate,” “predict,” “potential,” “continue,” “may,” “will,” “should” or the negative of these terms or similar expressions.

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This presentation includes certain non-GAAP financial measures intended to supplement, not substitute for, comparable GAAP measures. Reconciliations of non-GAAP financial measures to GAAP financial measures are provided in the Appendix at the end of the presentation. Investors are urged to consider carefully the comparable GAAP measures and the reconciliations to those measures provided in the Appendix.

# Management Perspective



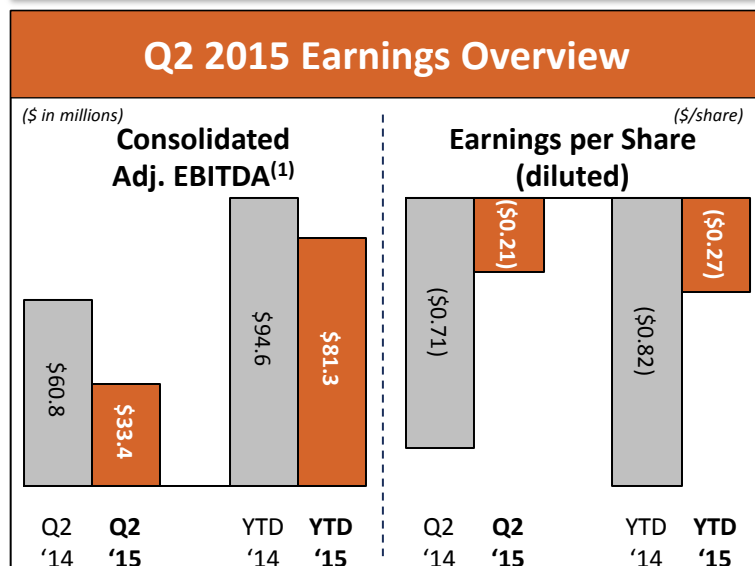
- ✓ **Delivered operating results in line with calendar year targets**
- ✓ **Significantly increased dividend, raising quarterly rate 100%**
- ✓ **SXCP's highly accretive Convent Marine Terminal acquisition expected to substantially grow distributions into 50/50 IDR splits**
- ✓ **Reached agreement on Granite City 23% dropdown transaction at 7.2x multiple<sup>(2)</sup>**
- ✓ **Reaffirming FY 2015E Consolidated Adjusted EBITDA<sup>(1,3)</sup> guidance of \$190M – \$210M**

(1) For a definition and reconciliation of Adjusted EBITDA (Consolidated), please see appendix.

(2) Based on \$67M transaction value over ~\$9.3M EBITDA run-rate for 23% interest in Granite City. This transaction is expected to close in the third quarter 2015, concurrently with the execution of long-term financing related to the Convent Marine Terminal acquisition.

(3) Excludes expected benefit of Convent Marine Terminal acquisition.

# Q2 '15 Overview



**Consol. Adj. EBITDA excluding one-time, non-cash items<sup>(2)</sup> down ~\$10M vs. Q2 '14**

- Pull forward in timing of planned maintenance outage at Granite City
- Under performance at Indiana Harbor

**Executing Coal Mining rationalization plan on schedule & in line with guidance**

**Q2 '15 Loss of \$0.21 per share**

- Reflects impact of non-cash pension termination charges of \$0.17 per share

**Reaffirm FY 2015E Consolidated Adjusted EBITDA<sup>(1)</sup> of \$190M – \$210M**

- Expect to update guidance after Convent acquisition closes

(\$ in millions, except volumes)	Q2'15	Q2'14	Q2'15 vs. Q2'14
Domestic Coke Sales Volumes	1,110	1,059	51
Coal Transloading Volumes	4,366	5,605	(1,239)
Coke Adj. EBITDA <sup>(3)</sup>	\$58.4	\$66.3	(\$7.9)
Coal Logistics Adj. EBITDA	\$5.0	\$5.0	\$0.0
Corporate and Other, including Legacy Costs	(\$24.6)	(\$10.9)	(\$13.7)
Coal Mining Adj. EBITDA	(\$5.4)	\$0.4	(\$5.8)
Adjusted EBITDA (Consolidated) <sup>(1)</sup>	\$33.4	\$60.8	(\$27.4)

(1) For a definition and reconciliation of Adjusted EBITDA, please see appendix.

(2) One-time, non-cash items include Q2 '15 \$12.6M pension termination charge and \$4.5M fair value adjustment to HKCC contingent consideration in Q2 '14.

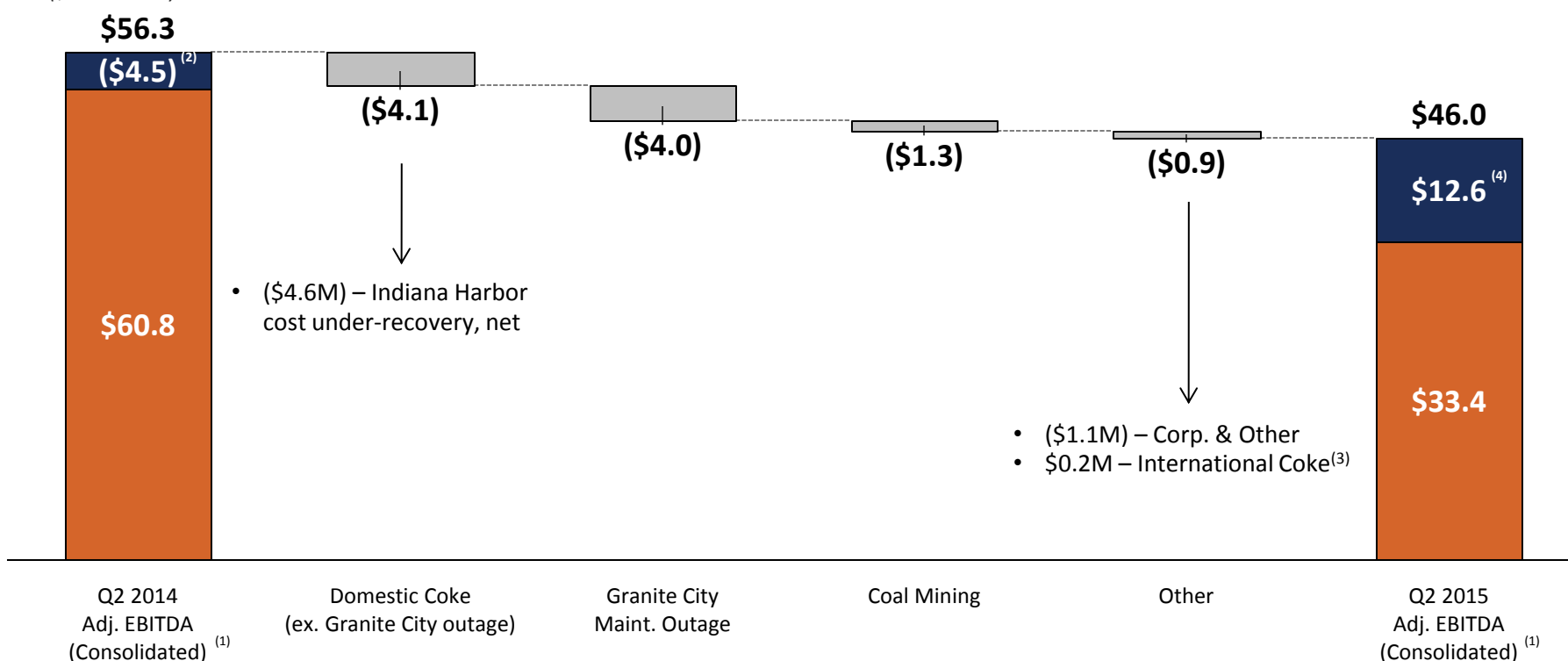
(3) Coke Adjusted EBITDA includes Domestic Coke, Brazil Coke and India Coke segments.

# Adjusted EBITDA<sup>(1)</sup> – Q2 '14 to Q2 '15



**Consol. Adj. EBITDA, excluding one-time non-cash charges, down ~\$10M**

(\$ in millions)



(1) For a definition and reconciliation of Adjusted EBITDA, please see appendix.

(2) Represents one-time, non-cash favorable adjustment to the HKCC Contingent Consideration.

(3) International Coke includes Brazil Coke and India Coke.

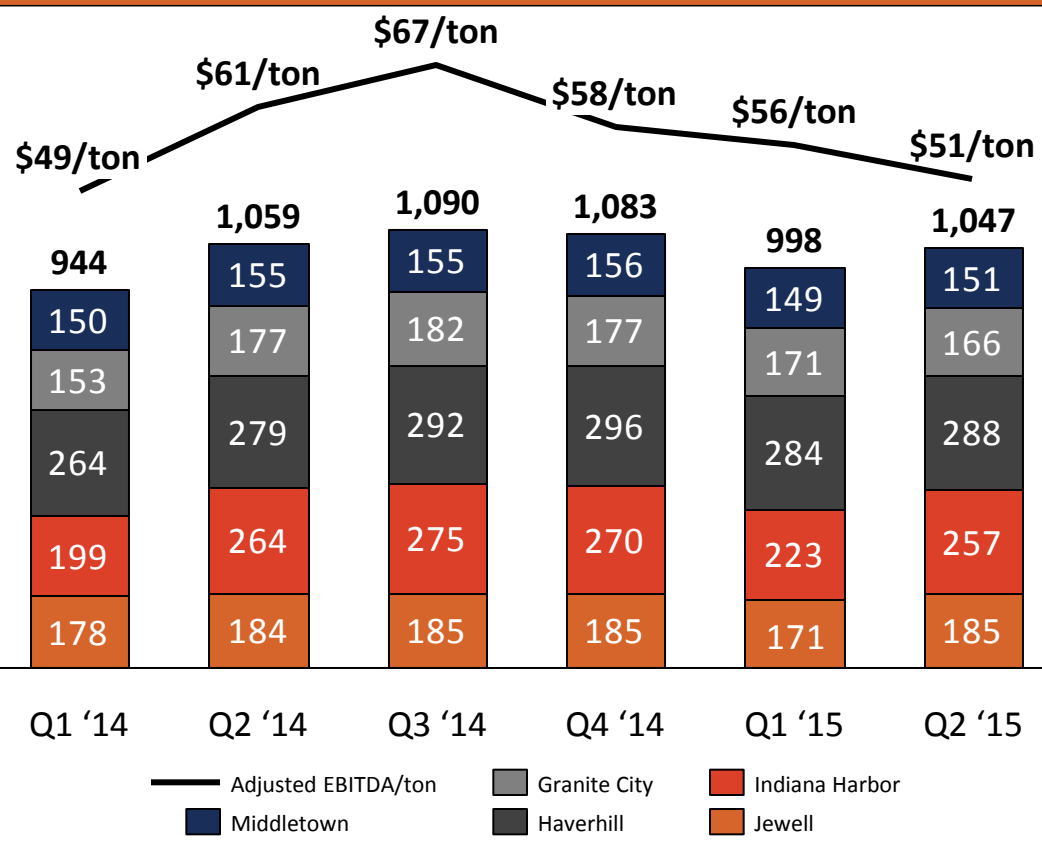
(4) Represents one-time, non-cash pension termination charge.

# Domestic Coke Business Summary



**Below target improvement at Indiana Harbor and Granite City outage impacted Q2 results; however, reaffirm full year guidance**

**Domestic Coke Production and Adjusted EBITDA Per Ton<sup>(1)</sup>**  
(Production in thousands of tons, \$ in per ton amounts)



## Continued ramp-up of Indiana Harbor facility

- Below target production during Q2
- O&M cost under-recovery

## Pull forward in timing of planned maintenance outage at Granite City

- ~\$4M impact from higher O&M expenses & slightly lower production

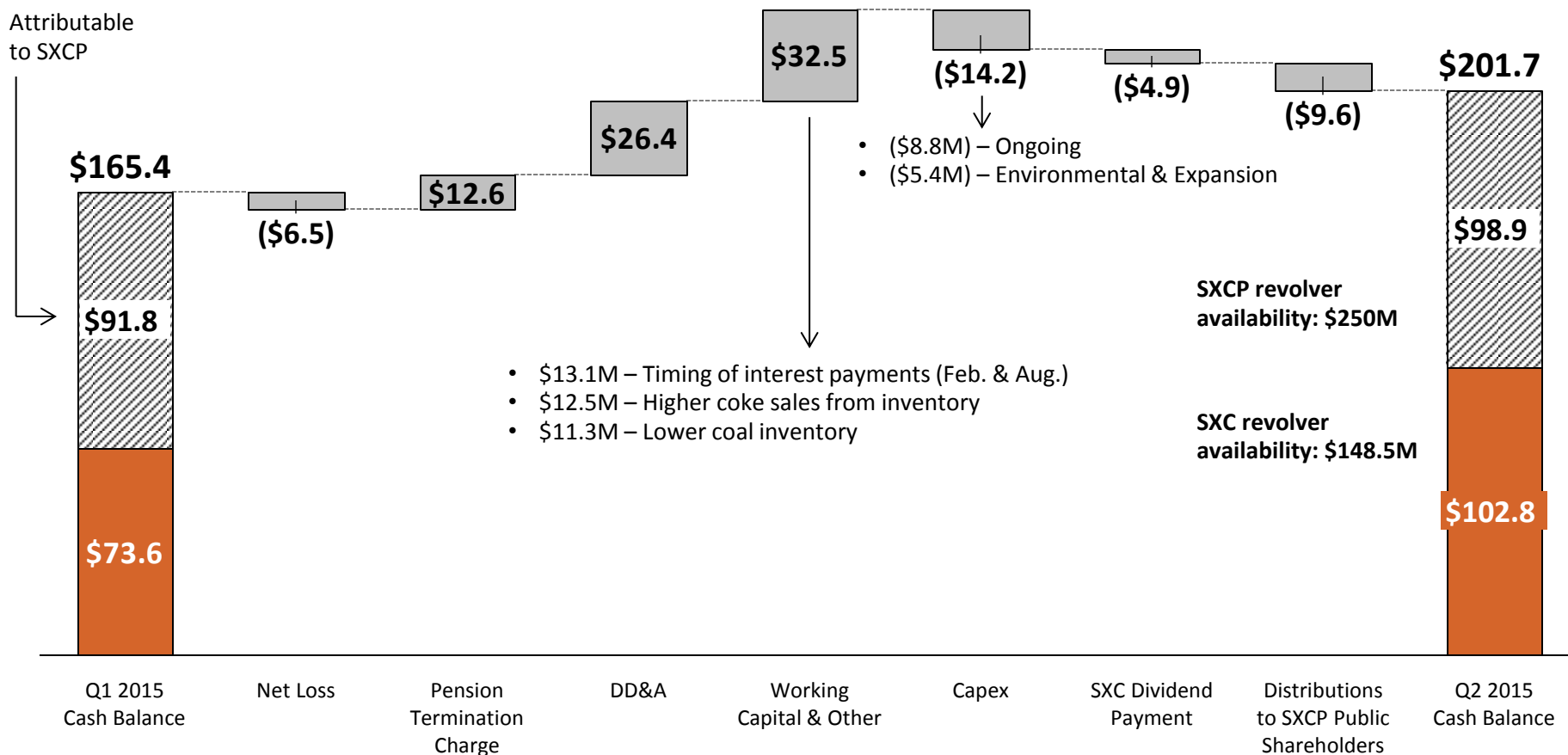
**Reaffirm Adj. EBITDA per ton<sup>(1)</sup> guidance of \$55 – \$60**

(1) For a definition and reconciliation of Adjusted EBITDA and Adjusted EBITDA/Ton, please see appendix.

# Liquidity Position



**Strong cash position and revolver capacity provide significant financial flexibility**



# STRATEGIC UPDATES

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**SunCoke Energy<sup>TM</sup>**



# SXCP's Convent Marine Terminal Acquisition

## SunCoke Energy Partners to acquire premier Illinois Basin coal export terminal for \$412M

### Asset Overview

- **Large, efficient, well-capitalized** Gulf Coast export terminal in Convent, Louisiana
- **Expanded throughput capacity ~15Mt** annually with ~1Mt ground storage capacity
- **Attractive long-term, take-or-pay contracts** for 10M tons secured through 2022 with best-in-class coal producers
- Expect ~**\$60M 2016E EBITDA contribution from committed volume alone**
- **Modern facility** with recent **\$120M capital investment<sup>(1)</sup>** to further enhance efficiencies
- **Strategically located**; only terminal on lower Mississippi with direct rail access and Panamax-capability

### Acquisition Highlights

- ✓ Provides **excellent fit** with long-term growth strategy & aligns with existing SXCP core competencies
- ✓ Acquiring at **attractive 6.9x EBITDA multiple**
- ✓ **Immediately** generates **substantial accretion**



(1) Remaining \$20M to be spend as part of pre-funded CapEx project.  
SXC Q2 2015 Earnings and M&A Announcements Call

# Significant CF Generation From Convent Acquisition



**Convent acquisition highlights value of GP structure, generating estimated \$16M of incremental cash flow to SXC in 2016**

	2013	2014	Standalone	Pro-Forma w/ Convent <sup>(2)</sup>	Standalone <sup>(3)</sup>	Pro-Forma w/ Convent <sup>(2)</sup>
	2013	2014	2015E	2016E	2016E	2016E
GP / IDRS <sup>(1)</sup>	\$1.2M	\$2.6M	~\$6M	~\$9M	~\$7M	~\$16M
LP <sup>(1)</sup>	\$29.2M	\$44.1M	~\$53M	~\$54M	~\$55M	~\$62M
Total Cash Flows from SXCP <sup>(1)</sup>	\$30.4M	\$46.7M	~\$59M	~\$63M	~\$62M	~\$78M

- ✓ More than doubles GP/IDR cash flow resulting from 50/50 IDR splits
- ✓ Increases LP cash flow resulting from transaction accretion

**+\$16M**

(1) GP/LP/IDR cash flows reported on an as-declared basis.

(2) Assumes September 1, 2015 close, mid-point of respective period accretion estimates and targeted 1.10x coverage ratio. Also assumes no further M&A and no additional dropdowns (i.e., excludes Granite City 23% dropdown and remaining coke asset dropdowns).

(3) Assumes Q4 2015E LQA distribution of \$2.42 per unit held constant throughout 2016.

# Executing Capital Allocation Strategy



## **Leveraging GP/LP structure and executing balanced capital allocation strategy**

**Raised SXC dividend 100% to \$0.15 per share, reflecting strategy to distribute significant portion of free cash flow**

- As we transition to pure-play GP, primary capital allocation strategy is to distribute 80% to 90% of free cash flow

**Anticipate distributing significant portion of free cash flow derived from SXCP's Convent transaction (\$0.15 to \$0.20 per SXC share on annual basis)**

**Intend to opportunistically execute against SXC's remaining \$55M share repurchase authorization**

**Expect to call remaining SXC bonds upon closing of Granite City dropdown**

- After redemption, more GP appropriate covenants in credit agreement govern restricted payments

# SXC Investment Thesis



**Execution against long-term growth strategy and capital allocation initiatives has reinforced SXC's strong investment thesis**

## Recent Value-Enhancing Actions

- ✓ SXCP's highly accretive Convent Marine Terminal acquisition expected to substantially grow distributions into 50/50 IDR splits
- ✓ Executing strategy for returning additional capital to shareholders
- ✓ Compelling economics from SXCP's \$50M unit repurchase program; expect DCF per LP unit accretion of ~\$0.02 per \$10M of repurchases
- ✓ Reached agreement on Granite City 23% dropdown

**Stable, Long-term  
Business Model**



**Growth  
Opportunities**



**Growing Return of  
Capital to  
Shareholders**



**Solid Balance Sheet**

# QUESTIONS



**SunCoke Energy<sup>TM</sup>**



**Investor Relations**  
**630-824-1907**  
**[www.suncoke.com](http://www.suncoke.com)**



**SunCoke Energy™**

# APPENDIX

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**SunCoke Energy<sup>TM</sup>**

# Definitions



**Adjusted EBITDA** represents earnings before interest, taxes, depreciation, depletion and amortization (“EBITDA”) adjusted for impairments, coal rationalization costs, sales discounts, and interest, taxes, depreciation and amortization attributable to our equity method investment. Prior to the expiration of our nonconventional fuel tax credits in November 2013, Adjusted EBITDA included an add-back of sales discounts related to the sharing of these credits with customers. Any adjustments to these amounts subsequent to 2013 have been included in Adjusted EBITDA. Our Adjusted EBITDA also includes EBITDA attributable to our equity method investment. EBITDA and Adjusted EBITDA do not represent and should not be considered alternatives to net income or operating income under GAAP and may not be comparable to other similarly titled measures in other businesses. Management believes Adjusted EBITDA is an important measure of the operating performance and liquidity of the Company's net assets and its ability to incur and service debt, fund capital expenditures and make distributions. Adjusted EBITDA provides useful information to investors because it highlights trends in our business that may not otherwise be apparent when relying solely on GAAP measures and because it eliminates items that have less bearing on our operating performance and liquidity. EBITDA and Adjusted EBITDA are not measures calculated in accordance with GAAP, as they should not be considered a substitute for net income, operating cash flow or any other measure of financial performance presented in accordance with GAAP.

**EBITDA** represents earnings before interest, taxes, depreciation, depletion and amortization.

**Adjusted EBITDA attributable to SXC/SXCP** represents consolidated Adjusted EBITDA less Adjusted EBITDA attributable to noncontrolling interests.

**Adjusted EBITDA/Ton** represents Adjusted EBITDA divided by tons sold/handled.

**Non recurring Coal Rationalization Costs** include employee severance, contract termination costs and other one-time costs to idle mines incurred during the execution of our coal rationalization plan.

**Legacy Costs** include royalty revenues, costs associated with former mining employee-related liabilities prior to the implementation of our current contractor mining business.



# Consolidated Guidance Summary



## Reaffirm Full Year 2015 Adjusted EBITDA Guidance; Updated Cash Taxes and Capital Expenditures Guidance

Metric	2015 Guidance	
Adjusted EBITDA <sup>(1)</sup> Consolidated Attributable to SXC	\$190 – \$210 million \$115 – \$130 million	
Capital Expenditures	~\$80 million	→ Was ~\$90 million
Domestic Coke Production	~4.3 million tons	
Dom. Coke Adj. EBITDA / ton	\$55 – \$60 / ton	
Operating Cash Flow	\$125 – \$145 million	
Cash Taxes <sup>(2)</sup>	~\$10 million	→ Was \$10 – \$15 million

(1) Please see appendix for a definition and reconciliation of 2014 and 2015E Adjusted EBITDA.

(2) Included in Operating Cash Flow.

# Reconciliation to Adjusted EBITDA



(\$ in millions)	Q2 '15	Q1 '15	FY '14	Q4 '14	Q3 '14	Q2 '14	Q1 '14
Net cash provided by Operating activities	\$65.5	\$11.1	\$112.3	\$53.9	\$33.1	\$36.6	(\$11.3)
Depreciation, depletion and amortization expense	26.4	23.8	106.3	25.9	22.8	28.6	29.0
Loss on extinguishment of debt	-	9.4	15.4	-	-	15.4	-
Asset and goodwill impairment	-	-	150.3	30.8	16.4	103.1	-
Deferred income tax expense/(benefit)	-	-	(64.4)	(6.5)	12.0	(66.8)	(3.1)
Changes in working capital and other	45.6	(22.5)	6.5	59.5	(24.5)	4.9	(33.4)
Net Income/(Loss)	(\$6.5)	\$0.4	(\$101.8)	(\$55.8)	\$6.4	(\$48.6)	(\$3.8)
Depreciation, depletion and amortization expense	26.4	23.8	106.3	25.9	22.8	28.6	29.0
Interest expense, net	13.0	23.3	63.2	12.1	11.9	27.1	12.1
Income tax expense/(benefit)	(0.8)	1.1	(58.8)	(9.9)	6.1	(50.8)	(4.2)
Asset and goodwill impairment	-	-	150.3	30.8	16.4	103.1	-
Non recurring coal rationalization costs	0.6	(1.0)	18.5	17.7	0.3	0.3	0.2
Sales discounts	-	-	(0.5)	-	-	-	(0.5)
Adjustment to unconsolidated affiliate earnings <sup>(1)</sup>	0.7	0.3	33.5	31.1	0.3	1.1	1.0
Adjusted EBITDA (Consolidated)	\$33.4	\$47.9	\$210.7	\$51.9	\$64.2	\$60.8	\$33.8
Adjusted EBITDA attributable to noncontrolling interests <sup>(2)</sup>	(18.1)	(18.1)	(60.7)	(18.7)	(18.2)	(14.5)	(9.3)
Adjusted EBITDA attributable to SXC	\$15.3	\$29.8	\$150.0	\$33.2	\$46.0	\$46.3	\$24.5

(1) Represents SunCoke's share of India JV interest, taxes and depreciation expense. Includes \$30.5M impairment of our equity method investment in India in Q4 and FY 2014.

(2) Represents Adjusted EBITDA attributable to SXCP public unitholders and DTE Energy's interest in Indiana Harbor.

# Reconciliation of Segment Adjusted EBITDA and Adjusted EBITDA per ton



Reconciliation of Segment Adjusted EBITDA and Adjusted EBITDA per Ton							
(\$ in millions, except per ton data)	Domestic Coke	Brazil Coke	India Coke <sup>(1)</sup>	Coal Mining	Coal Logistics	Corporate, Legacy Costs and Other	Consolidated
<b>Q2 2015</b>							
Adjusted EBITDA	\$56.2	\$2.6	(\$0.4)	(\$5.4)	\$5.0	(\$24.6)	<b>\$33.4</b>
Sales Volume (thousands of tons)	1,110	437	87		4,366		
<b>Adjusted EBITDA per Ton</b>	<b>\$50.63</b>	<b>\$5.95</b>	<b>(\$4.60)</b>		<b>\$1.15</b>		
<b>Q1 2015</b>							
Adjusted EBITDA	\$52.7	\$4.1	(\$0.7)	(\$3.1)	\$2.6	(\$7.7)	<b>\$47.9</b>
Sales Volume (thousands of tons)	950	439	46		3,794		
<b>Adjusted EBITDA per Ton</b>	<b>\$55.63</b>	<b>\$9.34</b>	<b>(\$15.07)</b>		<b>\$0.69</b>		
<b>FY 2014</b>							
Adjusted EBITDA	\$247.9	\$18.9	(\$3.1)	(\$16.0)	\$14.3	(\$51.3)	<b>\$210.7</b>
Sales Volume (thousands of tons)	4,184	1,516	177		19,037		
<b>Adjusted EBITDA per Ton</b>	<b>\$59.26</b>	<b>\$12.47</b>	<b>(\$17.51)</b>		<b>\$0.75</b>		
<b>Q4 2014</b>							
Adjusted EBITDA	\$64.4	\$12.2	(\$1.4)	(\$7.0)	\$3.4	(\$19.7)	<b>\$51.9</b>
Sales Volume (thousands of tons)	1,103	419	38		4,301		
<b>Adjusted EBITDA per Ton</b>	<b>\$58.39</b>	<b>\$29.12</b>	<b>(\$36.84)</b>		<b>\$0.79</b>		
<b>Q3 2014</b>							
Adjusted EBITDA	\$72.4	\$2.5	(\$1.3)	(\$2.9)	\$3.8	(\$10.3)	<b>\$64.2</b>
Sales Volume (thousands of tons)	1,074	431	38		4,772		
<b>Adjusted EBITDA per Ton</b>	<b>\$67.43</b>	<b>\$5.80</b>	<b>(\$34.21)</b>		<b>\$0.80</b>		
<b>Q2 2014</b>							
Adjusted EBITDA	\$64.3	\$2.5	(\$0.5)	\$0.4	\$5.0	(\$10.9)	<b>\$60.8</b>
Sales Volume (thousands of tons)	1,059	413	42		5,605		
<b>Adjusted EBITDA per Ton</b>	<b>\$60.74</b>	<b>\$6.05</b>	<b>(\$11.90)</b>		<b>\$0.89</b>		
<b>Q1 2014</b>							
Adjusted EBITDA	\$46.8	\$1.7	\$0.1	(\$6.5)	\$2.1	(\$10.4)	<b>\$33.8</b>
Sales Volume (thousands of tons)	948	252	60		4,359		
<b>Adjusted EBITDA per Ton</b>	<b>\$49.37</b>	<b>\$6.75</b>	<b>\$1.67</b>		<b>\$0.48</b>		

(1) Represents SunCoke's share of India JV interest, taxes and depreciation expense.

# 2015E Guidance Reconciliation



<i>(\$ in millions)</i>	<u>2015E</u> <u>Low</u>	<u>2015E</u> <u>High</u>
Net Income	\$21	\$38
Income tax expense/(benefit)	5	10
Interest expense, net	66	64
Depreciation, depletion and amortization expense	94	94
Non recurring coal rationalization costs	1	1
Adjustment to unconsolidated affiliate earnings <sup>(1)</sup>	3	3
Adjusted EBITDA (Consolidated)	\$190	\$210
Adjusted EBITDA attributable to noncontrolling interests <sup>(2)</sup>	(75)	(80)
Adjusted EBITDA attributable to SXC	\$115	\$130

(1) Represents SunCoke's share of India JV interest, taxes and depreciation expense.

(2) Represents Adjusted EBITDA attributable to SXCP public unitholders and DTE Energy's interest in Indiana Harbor.

# Balance Sheet & Debt Metrics



	As of 6/30/2015 <sup>(1)</sup>		
<i>(\$ in millions)</i>	<b>SXC Consolidated</b>	<b>Attributable to SXCP</b>	<b>Balance Attributable to SXC</b>
Cash	\$ 202	\$ 99	\$ 103
Revolver Capacity	398	250	149
Total Liquidity	600	349	251
Total Debt (Long and Short-term)	699	597	102
Net Debt (Total Debt less Cash)	497	498	(1)
Full Year Adj. EBITDA <sup>(2)</sup>	\$ 200	\$ 174	\$ 123
Total Debt/2015E Adj. EBITDA <sup>(2)</sup>	3.5x	3.4x	0.8x
Net Debt/2015E Adj. EBITDA <sup>(2)</sup>	2.5x	2.9x	0.0x

(1) Excludes Convent Marine Terminal acquisition and Granite City 23% dropdown, which are expected to close by September 1, 2015.

(2) Represents mid-point of FY 2015 guidance for Adjusted EBITDA (Consolidated), Adjusted EBITDA attributable to SXCP, and Adjusted EBITDA attributable to SXC.

# Capital Expenditures



## 2015 Expected CapEx

<i>(\$ in millions)</i>	<u>SXC</u>	<u>SXCP<sup>(1)</sup></u>	<u>Consolidated</u>
Ongoing <sup>(2)</sup>	\$31	\$20	\$51
Expansion	7	0	7
Environmental Project	0	22	22
<b>Total CapEx (Consolidated)</b>	<b>\$38</b>	<b>\$42</b>	<b>\$80</b>

(1) Represents SXCP capex on 100% basis, including Granite City.

(2) Consolidated includes approximately \$48M in ongoing Coke Capex and \$3M ongoing Coal Logistics.